



K O S É

May 12, 2005

**Summary of Financial Results for the Fiscal Year Ended March 31, 2005
(Consolidated)**

Company name: **KOSÉ Corporation**
 Stock code: 4922
 Stock Exchange listing: Tokyo Stock Exchange, First Section
 Company Domicile: 3-6-2, Nihonbashi, Chuo-ku, Tokyo 103-8251, Japan
 URL: <http://www.kose.co.jp/>
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Date of board meeting for approving financial results: May 12, 2005
 Parent company (Stock code): Not applicable
 Parent company shareholding: Not applicable
 Accounting principle: Japanese GAAP

1. Financial Results for the Fiscal Year Ended March 2005 (April 1, 2004- March 31, 2005)
(1) Financial results

Rounded down to million yen

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %
Fiscal year ended March 2005	169,913	5.8	18,550	3.5	18,905	6.6
Fiscal year ended March 2004	160,641	4.1	17,923	17.3	17,736	18.3

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change %	Yen	Yen
Fiscal year ended March 2005	9,411	5.3	186.51	-
Fiscal year ended March 2004	8,941	29.5	194.68	-

	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	%	%	%
Fiscal year ended March 2005	11.1	11.7	11.1
Fiscal year ended March 2004	11.6	11.4	11.0

Notes:

- Equity in earnings of unconsolidated subsidiaries
 Fiscal year ended March 2005: -
 Fiscal year ended March 2004: -
- Average number of shares outstanding (consolidated)
 Fiscal year ended March 2005: 50,055,732 shares
 Fiscal year ended March 2004: 45,511,298 shares
- Changes in accounting principles applied: Yes
- The percentages shown for net sales, operating income, ordinary income, and net income represent changes from the same period in the previous fiscal year.

(2) Financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of March 31, 2005	165,886	88,316	53.2	1,762.91
As of March 31, 2004	158,092	80,736	51.1	1,772.23

Note: Number of shares outstanding (consolidated) at the end of the year

As of March 31, 2005: 50,054,269 shares

As of March 31, 2004: 45,510,560 shares

(3) Cash flow position

	Net cash provided by (used in)			Cash and cash equivalents at end of year
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2005	10,737	(6,062)	(2,668)	26,068
Fiscal year ended March 2004	9,392	(4,211)	(4,044)	24,030

(4) The scope of consolidation and the application of the equity method

Consolidated subsidiaries: 28

Unconsolidated subsidiaries accounted for under the equity method: -

Affiliates accounted for under the equity method: -

(5) Changes in the scope of consolidation and affiliates accounted for under the equity method

Consolidated subsidiaries:

Newly added: -

Excluded: 1

Affiliates accounted for under the equity method:

Newly added: -

Excluded: -

2. Forecast for the Fiscal Year Ending March 2006 (April 1, 2005 - March 31, 2006)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	87,200	9,000	3,300
Full Year	177,700	19,000	8,700

Reference: Estimated net income per share for the fiscal year ending March 2006: 156.38 yen

Note: The estimated net income per share is calculated based on an estimated number of shares outstanding after taking the stock split scheduled on May 20, 2005 into account.

The above forecasts are based on assumptions and other relevant factors discussed in the section on Supplementary Information. (Pages: 11-12).

1. The KOSÉ Group

The KOSÉ Group includes KOSÉ Corporation and 31 subsidiaries. The principal activities and the relationship of group companies are as follows:

(1) Manufacturing

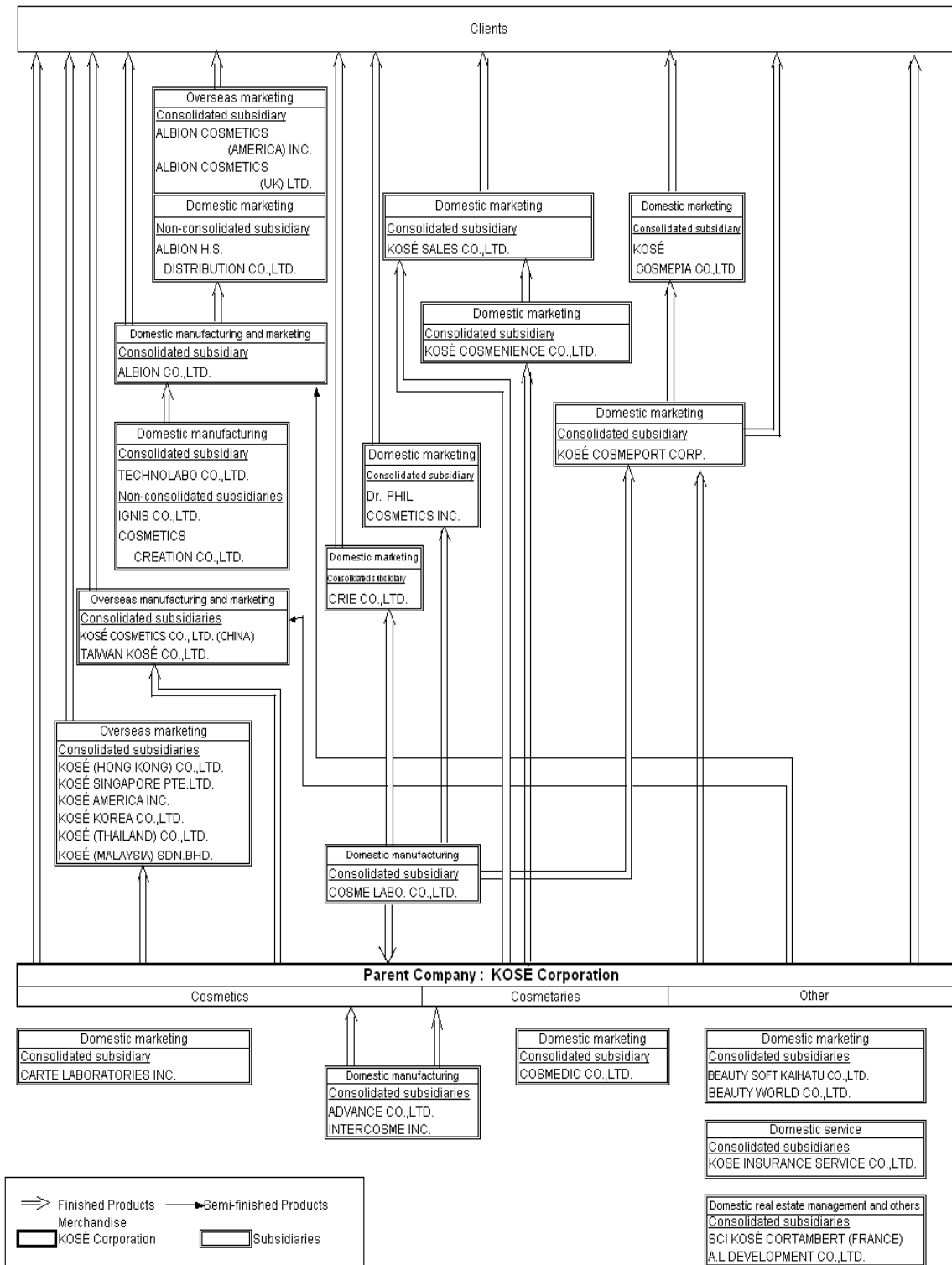
Company name		Principal activities
Domestic		
Parent company	KOSÉ Corporation	Manufacture of cosmetics
Consolidated subsidiary	COSME LABO. CO., LTD.	Manufacture of cosmetics
Consolidated subsidiary	ADVANCE CO., LTD.	Manufacture of cosmetics
Consolidated subsidiary	INTERCOSME INC.	Manufacture of plastic and cardboard containers
Consolidated subsidiary	ALBION CO., LTD.	Manufacture of cosmetics
N-cons. Subsidiary accounted for by the equity method	COSMETICS CREATION CO., LTD.	Manufacture of cosmetics
N-cons. Subsidiary accounted for by the equity method	IGNIS CO., LTD.	Manufacture of cosmetics
Consolidated subsidiary	TECHNOLABO CO., LTD.	Manufacture and processing of cosmetics
Overseas		
Consolidated subsidiary	KOSÉ COSMETICS CO., LTD. (CHINA)	Manufacture, import and marketing of cosmetics
Consolidated subsidiary	TAIWAN KOSÉ CO., LTD.	Manufacture, import and marketing of cosmetics

(2) Marketing and Service

Company name		Principal activities
Domestic		
Consolidated subsidiary	KOSÉ SALES CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	KOSÉ COSMENIENCE CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	KOSÉ COSMEPORT CORP	Wholesaling of cosmetics
Consolidated subsidiary	CARTE LABORATORIES INC.	Marketing of cosmetics on consignment
Consolidated subsidiary	COSMEDIC CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	CRIE CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	Dr. PHIL COSMETICS INC.	Wholesaling of cosmetics
Consolidated subsidiary	KOSÉ COSMEPIA CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	BEAUTY WORLD CO., LTD.	Wholesaling of beauty materials
Consolidated subsidiary	BEAUTY SOFT KAIHATU CO., LTD.	Wholesaling of beauty materials
Consolidated subsidiary	KOSÉ INSURANCE SERVICE CO., LTD.	Casualty insurance agency
N-cons. Subsidiary accounted for by the equity method	ALBION H.S. DISTRIBUTION CO., LTD.	Door-to-door sales of cosmetics
Consolidated subsidiary	A.L. DEVELOPMENT CO., LTD.	Real estate brokerage
Overseas		
Consolidated subsidiary	KOSÉ (HONG KONG) CO., LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ SINGAPORE PTE. LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ AMERICA INC.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ KOREA CO., LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ (THAILAND) CO., LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ (MALAYSIA) SDN. BHD.	Import and marketing of cosmetics
Consolidated subsidiary	ALBION COSMETICS (AMERICA) INC.	Import and marketing of cosmetics
Consolidated subsidiary	ALBION COSMETICS (UK) LTD.	Import and marketing of cosmetics
Consolidated subsidiary	SCI KOSÉ CORTAMBERT (FRANCE)	Real estate leasing

Note: KOSÉ INTERNATIONAL TRADING (SHANGHAI) CO., LTD. was liquidated.

(3) Business relationship in group



2. Management Policies

1. Fundamental Management Policy

The nucleus of the KOSÉ Group's management policy is "consistently managing to heighten corporate value" by pursuing growth and greater efficiency. The top priority is the provision of products and services of the highest quality to earn the true satisfaction of customers. The Group conducts a distinctive brand marketing program in which brands that match the needs of consumers are supplied through the most suitable retail channels. These activities are backed by three key components: industry-leading expertise in R&D in such fields of cosmetics as foundation products and beauty care essences; superior manufacturing expertise that draws on highly sophisticated equipment and technology; and the collective strengths of all group companies.

For the purpose of managing the Group to consistently increase corporate value, these strengths are used effectively in order to heighten the value of KOSÉ brands and, through gains in operating efficiency, make the Group even more profitable. At the same time, the Group will fulfill its social responsibilities by further increasing its commitment to strict compliance with laws and regulations and to environmental protection.

2. Profit Allocation Policy

Preserving a stable dividend is the fundamental policy for returning earnings to shareholders. But the Company retains an aggressive posture regarding other measures to return earnings, such as dividend increases, while taking into account the need to retain earnings to fund future growth as well as current financial soundness, operating results and the dividend payout ratio.

In consideration of operating results in the current fiscal year, the Company will pay as year-end dividend per share of 17 yen, and the Company paid as interim dividend per share by 2 yen increase to 17 yen on December 10, 2004. This will make the total dividend per share for the fiscal year of 34 yen.

On February 28, 2005, the Company announced a 1-to-1.1 stock split for shares held by shareholders and beneficial shareholders records on March 31, 2005. The new shares will be issued on May 20, 2005.

3. Goals and Performance Indicators

The Company is placing priority on improving the operating margin and return on total assets (ROA). In terms of concrete targets, KOSÉ aims to raise operating income to 11.8% of net sales and raise the ROA to 12.4% by the fiscal year ending in March 2008.

Note: $ROA = (\text{Operating income} + \text{Interest and dividends income}) / \text{Total assets (average of assets at beginning and end of year)} \times 100$

4. Medium- and Long-Term Strategies and Important Issues

Although Japan's economy is recovering, the operating environment in the cosmetics industry is expected to remain challenging. In response, KOSÉ plans to expand all its businesses not only by increasing its market share in Japan, but also by growing faster in China and other overseas markets. The Company will also work on building a powerful operating framework that can succeed against new forms of competition with other companies.

The Group in April 2005 launched a three-year medium-term management plan that carries on four central elements: strengthening brand marketing; achieving aggressive growth in overseas markets; improving efficiency and profitability; and training and fostering talented employees. The entire Group will focus its energy on these four issues.

The first core element of this management plan is reinforcing KOSÉ's distinctive brand marketing activities, which represent the Group's greatest strengths. KOSÉ plans to achieve the optimal brand allocation to support an increasingly diverse range of distribution channels. Additionally, core brands will be developed into brands that are recognized worldwide as sources of significant value.

Moreover, the Group will place priority on establishing a presence in new distribution channels and starting new cosmetics businesses in order to expand into other business domains that involve cosmetics.

The second core element is the aggressive development of overseas markets, especially growing markets in Asia, to increase sales as well as the number of offices outside Japan. The goal is to increase overseas sales to at least 10% of total sales by the fiscal year ending in March 2008. The Company will concentrate on

strengthening of brand marketing as in Japan.

In particular, KOSÉ will conduct local R&D activities in China through its External Affairs & Strategy Dept. while making substantial investments to strengthen the local sales infrastructure and expand business operations.

The third core element is the forceful implementation of structural reforms. The goals here are more gains in productivity and profitability. The Company is assembling a supply chain management system (SCM) and building a new accounting system. To quickly make these new systems operational, the Company is streamlining all business units and executing business process reforms to optimize all aspects of operations. Moreover, the entire company is concentrating on the important management theme of reforming the cost structure.

The fourth core element is the development of manpower to carry KOSÉ forward in the years ahead. The composition of our staff has undergone noticeable changes in recent years. Furthermore, aggressive expansion into foreign markets is making this task even more urgent. To effectively meet these challenges, KOSÉ is introducing employees' training programs, expanding its facilities, as well as reviewing promotion assessment.

Due to the above factors, KOSÉ is targeting net sales of 193,800 million yen, operating income of 22,800 million yen, ordinary income of 22,800 million yen, and net income of 11,900 million yen in the fiscal year ending in March 2008.

5. Corporate Governance Policies and Actions

Corporate governance is positioned as one of the highest management priorities from the standpoint of conducting management so as to consistently increase the enterprise value of the KOSÉ Group, the core management policy of the Group. The Group is thus working on establishing the necessary management systems and frameworks as well as on building a framework able to consistently earn the trust of the public.

KOSÉ has a small Board of Directors to facilitate rapid decision-making. To further strengthen the corporate governance system, KOSÉ has adopted the Executive Officer System. This system makes directors responsible for management decision-making and executive officers responsible for business execution function, thus separating these two functions. The Company is moving quickly to use this system to conduct business operations more efficiently. As of March 31, 2005, there are ten directors and nine executive officers.

In addition, the Company has adopted the Corporate Auditor System. Currently, there are two standing auditors and two external auditors. Two of external auditors have no relationship with the Group involving financial interests. Accounting audits of the Company are conducted by Shin Nihon & Co., which has been selected as the accounting auditors. In addition, managers hold regular discussions in order to conduct effective audits.

KOSÉ has a Compliance Committee that conducts activities aimed at ensuring compliance with laws and regulations as well as fair and ethical behavior, thereby preserving a sound operating framework. Furthermore, the Corporate Social Responsibility (CSR) Preparation Committee was established in March 2005 with the aim of increasing involvement in economic, social and environmental activities.

<Remuneration for directors and auditors>

Remuneration paid to directors and auditors was as follows.

- Directors: 539 million yen
- Auditors: 44 million yen (including 10 million yen paid to external auditors)

<Remuneration paid for audits, etc.>

Remuneration paid (including by consolidated subsidiaries) to the auditing firm were as follows.

- Legally prescribed audits: 59 million yen
- Other services: 2 million yen

The certified public accountants who performed these services were as follows.

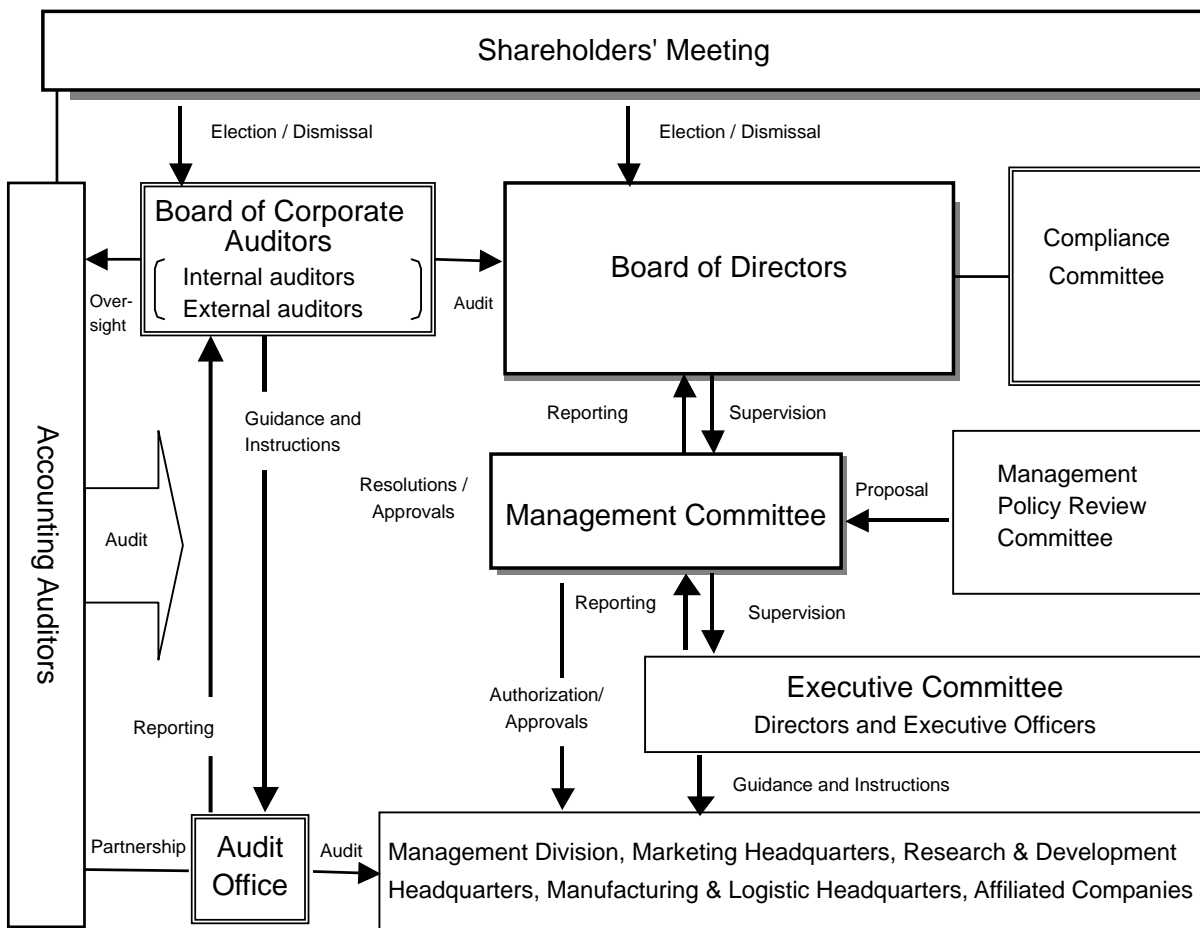
Names of certified public accounts who performed services

- Designated partner/ Engagement partner: Osamu Yoshida, Hiroyuki Suzuki, and Masashi Hoshino
(Osamu Yoshida has audited KOSÉ for the past 11 years)

- Auditing firm to which above individuals belong: Shin Nihon & Co.

- Assistants involved in financial audit: 10 certified public accountants, and 9 assistant accountants

Shown below is a diagram of the Company's corporate governance system



6. Matters Concerning the Parent Company

No reportable information.

3. Results of Operations and Financial Condition

I. Results of Operations

1. Review of Operations

(1) Financial Results

Millions of yen, %

Operating segment	Fiscal year ended March 2004		Fiscal year ended March 2005		Change	
	Amount	% comp.	Amount	% comp.	Amount	% YoY
Cosmetics	120,609	75.1	125,036	73.6	4,426	3.7
Cosmetaries	35,975	22.4	41,328	24.3	5,353	14.9
Other	4,056	2.5	3,547	2.1	(508)	(12.5)
Total net sales	160,641	100.0	169,913	100.0	9,271	5.8

Item	Fiscal year ended March 2004		Fiscal year ended March 2005		Change	
	Amount	% of sales	Amount	% of sales	Amount	% YoY
Operating income	17,923	11.2	18,550	10.9	627	3.5
Ordinary income	17,736	11.0	18,905	11.1	1,168	6.6
Net income	8,941	5.6	9,411	5.5	469	5.3

During the current fiscal year, the Japanese economy recovered as corporate earnings improved and capital expenditures increased. However, the pace of the recovery weakened in the second half of fiscal year as the price of oil rose sharply and exports slowed, leading to slower growth in consumer spending. In the cosmetics industry in Japan, cosmetics shipments were flat in terms of volume and slightly lower in monetary terms.

In this environment, the Company achieved steady growth in sales as luxury cosmetics and cosmetics that consumers choose themselves both posted strong sales and aggressive actions were taken to launch new brands outside Japan.

Moreover, KOSÉ began the sales through convenience stores. As a result, net sales increased 5.8% to 169,913 million yen an all-time high. Regarding earnings, operating income increased 3.5% to 18,550 million yen, ordinary income increased 6.6% to 18,905 million yen, and net income increased 5.3% to 9,411 million yen. All represent record earnings for the Group.

(2) Results by Business Segment

1) Cosmetics Business

Millions of yen, %

Item	Fiscal year ended March 2004	Fiscal year ended March 2005	Change	
			Amount	% YoY
Sales to third parties	120,609	125,036	4,426	3.7
Intragroup sales and transfers	30	23	-	-
Total net sales	120,640	125,060	-	-
Operating income	17,023	16,910	(112)	(0.7)
Operating margin	14.1	13.5	-	-

In the cosmetics business, sales increased due to strong sales of products bearing high-value-added brands. In particular, KOSÉ enlarged sales by introducing luxury skin-care line for specific channels, such as department stores and specialty cosmetics stores.

ALBION CO., LTD., which sells luxury products, recorded a performance that exceeded the initial plan due to strong sales of skin-care products. Among the KOSÉ branded products, MOISTURE SKIN REPAIR became a hit product, making a significant contribution to sales. Regarding promotion activities, a high-profile advertising campaign was conducted using TVs and magazines to create a new image for the core make-up product brands.

Overseas, operating results were strong as effective sales activities were conducted that mainly targeted the SEKKISEI and SEIKISHO brands. Overseas subsidiaries reported a year-on-year increase of 27.9% in net sales. In China, brand marketing activities were reinforced through measures such as an advertising campaign featuring a local popular actress, and the introduction of BEAUTÉ de KOSÉ, a high-prestige brand sold through leading department stores.

Due to the above factors, net sales in the cosmetics business increased 3.7% to 125,036 million yen. However, expenses for strategic marketing activities in China and South Korea caused operating income to decrease 0.7% to 16,910 million yen.

Major new products introduced during the fiscal year were as follows:

BEAUTÉ de KOSÉ ULTIMATION (skin care series)

PRÉDIA Spa Pur (skin care series)

INFINITY PRIMAL WHITE (skin care series)

LUMINOUS (makeup series)

VISÉE (makeup series)

2) Cosmetaries Business

Millions of yen, %

Item	Fiscal year ended March 2004	Fiscal year ended March 2005	Change	
			Amount	% YoY
Sales to third parties	35,975	41,328	5,353	14.9
Intragroup sales and transfers	0	-	-	-
Total sales	35,975	41,328	-	-
Operating income	2,492	3,110	617	24.8
Operating margin	6.9	7.5	-	-

In the cosmetaries business, the FASIO makeup series, SOFTYMO skin-care series and other products drove the sales growth. There were particularly large market share gains in the mascara and cleansing product categories due to introduce new products that targeted market needs. Also contributing to sales growth was a sales promotion campaign using an Internet Movie, a first in the cosmetics industry. Sales also benefited from the start of sales through convenience stores.

As results, net sales increased 14.9% to 41,328 million yen, and operating income increased 24.8 % to 3,110 million yen.

Major new products introduced during the fiscal year were as follows:

- FASIO power-stay mascara 3D+
- SOFTYMO (hyaluronic acid series)
- SALON STYLE (hair care series)
- SEKKISUI (skin-care series)

3) Other Business

Millions of yen, %

Item	Fiscal year ended March 2004	Fiscal year ended March 2005	Change	
			Amount	% YoY
Sales to third parties	4,056	3,547	(508)	(12.5)
Intragroup sales and transfers	2,248	2,254	-	-
Total sales	6,304	5,802	-	-
Operating income	828	527	(300)	(36.3)
Operating margin	13.1	9.1	-	-

In this segment, there was a decline in orders for the manufacture of OEM products. In addition, sales were slightly down year on year in the amenities category.

As results, net sales increased 12.5% to 3,547 million yen, and operating income decreased 36.3% to 527 million yen.

2. Outlook

The outlook is for a continuation in the recovery of the Japan's economy as encouraging signs emerge in sectors such as employment. In the cosmetics industry, however, market conditions are expected to remain challenging.

In response, the KOSÉ Group will conduct its distinctive brand marketing activities to serve an increasingly diverse spectrum of markets and customers, as well as develop new distribution channels and expand business domains.

In the fiscal year ending in March 2006, the KOSÉ plans to start a new cosmetics business in which products bearing brands licensed from overseas companies are sold mainly through department stores. Outside Japan, strategic investments will be made in China and other priority markets to quickly increase sales.

Regarding structural reforms, KOSÉ will work on making full use of the supply chain management (SCM) and new accounting system. In addition, company-wide reforms will be implemented to streamline the cost structure.

In the fiscal year ending March 2006, the Company is forecasting increase of 4.6% in net sales to 177,700 million yen, 2.4% increase in operating income to 19,000 million yen, 0.5% increase in ordinary income to 19,000 million yen, and 7.6% decrease in net income to 8,700 million yen due to adopt the asset impairment accounting.

The Company plans to increase the annual dividend per share by 2 yen to 36 yen.

Millions of yen, %

Operating segment	Fiscal year ended March 2005		Fiscal year ending March 2006		Change	
	Amount	% comp.	Amount	% comp.	Amount	% YoY
Cosmetics	125,036	73.6	130,600	73.5	5,563	4.4
Cosmetaries	41,328	24.3	43,700	24.6	2,371	5.7
Other	3,547	2.1	3,400	1.9	(147)	(4.2)
Total net sales	169,913	100.0	177,700	100.0	7,786	4.6

Item	Fiscal year ended March 2005		Fiscal year ending March 2006		Change	
	Amount	% of sales	Amount	% of sales	Amount	% YoY
Operating income	18,550	10.9	19,000	10.7	449	2.4
Ordinary income	18,905	11.1	19,000	10.7	94	0.5
Net income	9,411	5.5	8,700	4.9	(711)	(7.6)

* Forecasts are based on foreign exchange rates of 106 yen to the U.S. dollar, 3.2 yen to the Taiwan dollar, and 12.8 yen to the Chinese yuan.

II. Financial Position

Cash Flows

Millions of yen

	Fiscal year ended March 2004	Fiscal year ended 2005	Change
Net cash provided by (used in) operating activities	9,392	10,737	1,344
Net cash provided (used in) investing activities	(4,211)	(6,062)	(1,850)
Net cash provided (used in) financing activities	(4,044)	(2,668)	1,375
Increase in cash and cash equivalents	986	2,037	1,051
Cash and cash equivalents at end of year	24,030	26,068	2,037

Cash and cash equivalents as of March 31, 2005 were 26,068 million yen, an increase of 2,037 million yen, or 8.5%, compared with one year earlier. Cash flows and major components during the fiscal year were as follows.

Net cash provided by operating activities was 10,737 million yen, 14.3% more than in the previous fiscal year. This was mainly the net result of net income before income taxes and minority interests of 18,264 million yen, depreciation of 4,002 million yen, a non-cash expense, a decrease of 2,000 million yen in the accrued employees' retirement benefits, an increase of 4,557 million yen in inventories, an increase of 2,632 million yen in notes and accounts payable, and income tax paid of 6,362 million yen.

Net cash used in investing activities was 6,062 million yen or 43.9% more than in the previous fiscal year. The major components were payments of 5,248 million yen for the purchase of property, plant and equipment, mainly for construction of laboratories, and 2,130 million yen for the acquisition of intangible assets.

Net cash used in financing activities was 2,668 million yen, 34.0% less than one year earlier. This was mainly the result of a net reduction in debt of 1,199 million yen, and 1,668 million yen used for the cash dividends paid.

The following table illustrates the historical movements of certain cash flow indices:

Fiscal year ended March	2001	2002	2003	2004	2005
Shareholders' equity ratio (%) ¹	44.0	46.6	47.4	51.1	53.2
Shareholders equity ratio based on market prices (%) ²	106.9	97.0	109.0	120.6	136.1
Debt to annual cash flow ratio (year) ³	1.4	1.4	0.7	0.6	0.5
Interest coverage ratio ⁴	45.8	49.3	73.4	119.2	152.2

Notes:

¹ Shareholders' equity ratio: Shareholders' equity / Total assets

² Shareholders equity ratio based on market prices: Market capitalization / Total assets

³ Debt to annual cash flow: Interest-bearing liabilities / Operating cash flow

⁴ Interest coverage ratio: Operating cash flow (before Interests and Income taxes paid) / Interest payments

- These indices are calculated on a consolidated basis.

- Market capitalization: Closing price of stock on the balance sheet date x Number of shares outstanding at the end of the year on the balance sheet date.

- Net cash provided by operating activities on the consolidated statement of cash flows is used as operating cash flow. Interest-bearing liabilities include all liabilities on the consolidated balance sheets that incur interest. Interest paid on the consolidated statement of cash flows is interest expenses.

These materials contain forward-looking statements and statements of this nature based on information current as of May 12, 2005. As such, these projections entail risks and uncertainties resulting from changes in the economic environment. Readers should be aware that actual results and events might differ substantially from these projections.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Unit: Millions of yen

Account title	Period	FY 2003		FY 2004		Change
		As of March 31, 2004		As of March 31, 2005		
		Amount	%	Amount	%	Amount
Assets						
I. Current assets						
Cash and time deposits		15,390		19,213		3,822
Notes and accounts receivable		23,373		24,381		1,008
Short-term investments in securities		19,524		18,599		(924)
Inventories		17,845		22,398		4,553
Deferred tax assets-current		4,443		4,124		(318)
Other current assets		4,052		5,420		1,368
Allowance for doubtful accounts		(385)		(381)		3
Total current assets		84,243	53.3	93,756	56.5	9,513
II. Fixed assets						
Property, plant and equipment						
Buildings and structures		11,346		12,534		1,187
Machinery and automotive equip.		3,156		2,944		(211)
Furniture and fixtures		6,102		6,718		615
Land		17,341		17,362		21
Construction in progress		1,028		148		(880)
Total property, plant and equipment		38,975	24.7	39,708	23.9	732
Intangible assets						
Software		938		3,587		2,648
Software under development		2,490		1,219		(1,270)
Other intangible assets		272		264		(7)
Total intangible assets		3,701	2.3	5,072	3.1	1,370
Investments and others						
Investments in securities		13,323		10,316		(3,006)
Deferred tax assets-non-current		15,656		14,915		(741)
Others		2,525		2,463		(62)
Allowance for doubtful accounts		(333)		(345)		(11)
Total investments and others		31,171	19.7	27,349	16.5	(3,822)
Total fixed assets		73,848	46.7	72,129	43.5	(1,719)
Total assets		158,092	100.0	165,886	100.0	7,793

Unit: Millions of yen

Account title	Period	FY 2003 As of March 31, 2004		FY 2004 As of March 31, 2005		Change
		Amount	%	Amount	%	Amount
Liabilities						
I. Current liabilities						
Notes and accounts payable		12,868		15,260		2,391
Short-term borrowings		3,539		3,364		(175)
Current portion of long-term debt		1,000		1,500		500
Accounts payable-other		7,458		7,353		(104)
Accrued expenses		7,059		7,083		23
Accrued income taxes		4,199		5,017		818
Accrued consumption taxes		951		334		(617)
Reserve for returned goods unsold		909		878		(31)
Other current liabilities		662		584		(77)
Total current liabilities		38,649	24.4	41,377	25.0	2,728
II. Long-term liabilities						
Long-term debt		1,500		-		(1,500)
Accrued employees' retirement benefits		31,836		29,836		(1,999)
Accrued officers' severance benefits		2,622		2,879		257
Other long-term liabilities		174		166		(8)
Total long-term liabilities		36,133	22.9	32,883	19.8	(3,250)
Total liabilities		74,782	47.3	74,260	44.8	(522)
Minority interests		2,572	1.6	3,308	2.0	735
Shareholders' equity						
I. Common stock		4,848	3.1	4,848	2.9	-
II. Capital surplus		6,390	4.0	6,391	3.8	0
III. Consolidated retained earnings		67,907	43.0	75,613	45.6	7,705
IV. Net unrealized holdings gains (losses) on other securities		527	0.3	367	0.2	(160)
V. Foreign currency translation adjustments		1,109	0.7	1,173	0.7	63
VI. Treasury stock		(47)	(0.0)	(76)	(0.0)	(28)
Total shareholders' equity		80,736	51.1	88,316	53.2	7,580
Total liabilities, minority interests and shareholders' equity		158,092	100.0	165,886	100.0	7,793

(2) Consolidated Statements of Income

Unit: Millions of yen

Account title	Period	FY 2003		FY 2004		Change	
		Apr. 1, 2003 - Mar. 31, 2004		Apr. 1, 2004 - Mar. 31, 2005			
		Amount	%	Amount	%	Amount	%
Net sales		160,641	100.0	169,913	100.0	9,271	105.8
Cost of sales		38,216	23.8	41,221	24.3	3,005	107.9
Gross profit		122,425	76.2	128,691	75.7	6,266	105.1
SG&A expenses		104,501	65.0	110,140	64.8	5,638	105.4
Operating income		17,923	11.2	18,550	10.9	627	103.5
Non-operating income							
Interest income		178		134		(44)	
Dividend income		209		101		(108)	
Redemption of securities		-		60		60	
Foreign exchange gain		-		79		79	
Miscellaneous revenue		149		150		0	
Total non-operating income		538	0.3	526	0.3	(12)	97.8
Non-operating expenses							
Interest expense		167		111		(55)	
Foreign exchange losses		458		-		(458)	
Miscellaneous loss		99		59		(39)	
Total non-operating income		725	0.5	171	0.1	(553)	23.7
Ordinary income		17,736	11.0	18,905	11.1	1,168	106.6
Extraordinary income							
Gain on transfer of intellectual property rights		1,381		-		(1,381)	
Gain on sales of fixed assets		1		2		0	
Gain on sale of investments in securities		2,147		235		(1,911)	
Subsidy income		-		59		59	
Gain on relinquishment of entrusted portion of governmental Welfare Pension Fund		361		-		(361)	
Other extraordinary income		8		-		(8)	
Total extraordinary income		3,901	2.5	296	0.2	(3,604)	7.6
Extraordinary loss							
Loss on prior-period earnings adjustment		14		-		(14)	
Loss on disposal of fixed assets		2,171		301		(1,870)	
Unrealized holding loss on investments in securities		2		10		8	
Provision of allowance for doubtful accounts		-		35		35	
Loss on disposal of inventories		246		-		(246)	
Unrealized holding loss on land		209		-		(209)	
Retirement incentive program		104		446		342	
Loss on change in equity interest in subsidiaries		-		124		124	
Lump-sum amortization of consolidation goodwill		783		-		(783)	
Other extraordinary loss		23		18		(4)	
Total extraordinary loss		3,555	2.2	937	0.6	(2,618)	26.4
Net income before income taxes and minority interests		18,082	11.3	18,264	10.7	181	101.0
Income taxes-current		8,994	5.6	7,179	4.2	(1,814)	
Income taxes-deferred		(289)	(0.2)	1,171	0.7	1,460	
Minority interests		436	0.3	502	0.3	66	
Net income		8,941	5.6	9,411	5.5	469	105.3

(3) Consolidated Statements of Retained Earnings

Unit: Millions of yen

Account title	Period	FY 2003 Apr. 1, 2003 - Mar. 31, 2004		FY 2004 Apr.1, 2004 - Mar. 31, 2005	
Capital surplus					
I. Balance at beginning of year			6,390		6,390
II. Increase in capital surplus					
Gain on disposal of treasury stock					
III. Balance at end of year		0	0	0	0
			6,390		6,391
Retained earnings					
I. Balance at beginning of year			60,503		67,907
II. Increase in retained earnings					
Net income		8,941	8,941	9,411	9,411
III. Decrease in retained earnings					
Cash dividends		1,456		1,624	
Bonuses to officers		80	1,536	81	1,706
IV. Balance at end of year			67,907		75,613

(4) Consolidated Statements of Cash Flows

Unit: Millions of yen

Period	FY 2003 Apr. 1, 2003 - Mar. 31, 2004	FY 2004 Apr. 1, 2004- Mar. 31, 2005
Account title		
I. Cash flows from operating activities		
Net income before income taxes and minority interests	18,082	18,264
Depreciation	3,738	4,002
Amortization of consolidation goodwill	783	112
Increase (decrease) in allowance for doubtful accounts	(68)	8
Increase (decrease) in accrued employees' retirement benefits	(1,804)	(2,000)
Increase (decrease) in accrued officers' severance benefits for director	154	257
Increase (decrease) in reserve for other allowances	(14)	(31)
Loss (gain) on disposal of fixed assets	2,170	299
Unrealized holding loss on land	209	-
Interest and dividend income	(388)	(235)
Interest expense	167	111
Foreign exchange loss (gain)	135	(57)
Loss (gain) on change in equity interest in subsidiaries	-	124
Loss (gain) on sale of investment in securities	(2,147)	(235)
Unrealized holding loss (gain) on investment in securities	2	10
Decrease (increase) in notes and accounts receivable	(1,802)	(984)
Decrease (increase) in inventories	(1,663)	(4,557)
Increase (decrease) in notes and accounts payable	1,250	2,632
Proceeds from transfer of intellectual property rights	(1,381)	-
Decrease (increase) in other assets	831	185
Increase (decrease) in other liabilities	1,246	(854)
Officers' remuneration paid	(85)	(86)
Subtotal	19,414	16,965
Interest and dividends received	390	247
Interest paid	(166)	(113)
Income taxes paid	(10,246)	(6,362)
Net cash provided by operating activities	9,392	10,737
II. Cash flows from investing activities		
Payment for time deposits placed	(1,637)	(10)
Proceeds from time deposit	1,639	1,010
Payment for acquisition of short-term investments in securities	(25,894)	(22,596)
Proceeds from sale of short-term investments in securities	27,691	21,651
Payment for purchase of property, plant and equipment	(4,941)	(5,248)
Proceeds from sale of property, plant and equipment	38	246
Payment for acquisition of intangible assets	(2,150)	(2,130)
Payment for acquisition of investments in securities	(1,511)	(2,024)
Proceeds from sale of investments in securities	2,225	4,049
Payment for acquisition of subsidiaries' stock	(1,325)	(17)
Proceeds from transfer of intellectual property rights	1,477	-
Decrease (increase) in other investments	175	(991)
Net cash used in investment activities	(4,211)	(6,062)
III. Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(698)	(199)
Repayment of long-term debt	(595)	(1,000)
Redemption of corporate bonds	(1,000)	-
Net change from purchase and sale of treasury stock	(7)	(28)
Proceeds from issuance of stock to minority interests	-	227
Cash dividends paid	(1,456)	(1,624)
Dividends to minority shareholders	(286)	(43)
Net cash used in financing activities	(4,044)	(2,668)
IV. Effect of exchange rate changes on cash and cash equivalents	(149)	30
V. Increase in cash and cash equivalents	986	2,037
VI. Cash and cash equivalents at beginning of year	23,044	24,030
VII. Cash and cash equivalents at end of year	24,030	26,068